High Streets and Town Centres in 2030

The Housing, Communities and Local Government Select Committee is undertaking an inquiry into the future of high streets and town centres in 2030. London Councils' submission to the committee sets out some of the major challenges that the capital's high streets and town centres face and argues for greater powers and controls for the boroughs to tackle these.

Overview

London's town centres and high streets act as focal points for our communities. In London there are over 200 town centres and almost 600 high streets, with a staggering range in type, size, feel and purpose. High streets and town centres are an integral part of London's economy. Almost half (47 per cent) of all businesses outside central London are on a high street and 1.45 million employees work on or within 200 metres of a high street.

High streets provide a space in which communities are able to mix freely. This is especially important for more vulnerable or isolated groups, such the elderly, young people and recent immigrants, who are all more likely to rely on the 'informal offer' that social infrastructure and shops on the high streets provide. This can be moments as simple as sharing a conversation or as impactful as being made aware of job opportunities in the area. Almost 40 per cent of small businesses interviewed performed some kind of social function.

The role that councils play in developing and maintaining this is vital. Boroughs not only regulate high streets by developing and enforcing policies around planning and licensing and maintaining safe trading environments, they are increasingly becoming curators of the high street – organising events, facilitating networks and developing business capacity.

Analysis

High streets in the UK are changing rapidly in response to a number of social, cultural and economic factors.

Changing consumer habits

One of the most prominent changes in retail nationally has been the rise of online shopping. Some forecasters estimate that by 2030 over 40 per cent of purchases will be made online, which they believe will lead to a massive decline in shop premises in the UK. While a shift to online retail may remain viable for some businesses, smaller and family run businesses may struggle to take advantage of these changes.

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This is fuelling an increasing period of polarisation within London's town centres, with larger centres which can provide a greater 'customer experience' attracting increasingly greater footfall and demand than smaller ones. This may lead to a reduction in the amount of retail space needed. This is not inherently negative, but must be carefully managed to prevent further deterioration of town centres. Empty shops are not only a symptom of a struggling high street, they are also a cause. Empty shops can cause a 'negative feedback loop' , which means they discourage investment, decrease the 'offer' on the high street, keep consumers from visiting and contribute to a general sense of decline and neglect.

Consumers are increasingly expecting high streets to be experiential rather than solely focused on buying specific goods. This is true not just for traditional shop-based high streets, but also other aspects of town centre provision, such as markets and the night time economy. As a result town centres increasingly need to be curated and local plans need to consider how they will meet this need in the future. Boroughs are growing their expertise in this area but with local budgets coming under pressure, non-statutory services such as economic development and culture are being squeezed. Understanding how retail revenue can be maintained in response to these changes will be a significant challenge, and business will need support to diversify their offer.

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Increased business rates

Sharp increases in the average amount paid in business rates by have hit London disproportionately hard. This exacerbates already high rent levels for retail space in London, making it difficult for many businesses.

Despite having just 16 per cent of the rateable properties in England, London is a third of the share of the tax base as expressed by total rateable value (RV). In the 2017 revaluation, values in London rose by around 24 per cent compared with just 4 per cent across the rest of England.

If the trend from the last four revaluations continues, London could account for over 50 per cent of the value of the national business rates tax base by 2040. With an ever increasing proportion of the national business rate yield coming from a relatively small number of properties in central London, the entire country's business rates values become increasingly exposed to the volatility of that unique property market.

Increased pressure from housing

The demand for housing in London has put retail and office spaces under increasing pressure. The introduction of Permitted Development Rights (PDR) has been an aggravating factor in this and has made it more difficult for local authorities to maintain balance between office, retail and housing land uses in their areas, including high streets and town centres.

Anecdotal evidence suggests that this is an increasing pressure on retail, although this has yet to translate in to a significant pan-London decrease in retail space. Office space, an important aspect of high street sustainability, has been severely affected. Between April 2012 and March 2016 82,000 sqm of office space was lost across London. The GLA estimates a further 601,000 sqm could potentially change to residential as a result of PDR. This has particularly affected outer boroughs, leading to a fear that such areas will turn into homogenous 'dormitory towns'.

PDR was introduced temporarily in 2013 and then made permanent in 2015[1].

Boroughs may impose an "Article 4" direction to suspend the permitted development rights. However, this is a cumbersome tool which is not appropriate in all circumstances and can be overruled by national government.

In many areas the loss of office space and retail units has already begun to have concerning economic consequences, driving up the price of remaining spaces and forcing smaller businesses out of London. Increasing housing on the high street is not necessarily a bad thing, but it must be well designed and managed carefully in order to handle the implications of mixed use spaces.

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Comment

London Councils argues that national and local government must concentrate on the following solutions in order to enable London's high streets and town centres to survive and thrive:

- Encourage a more focused and curated town centre offer that provides a positive consumer experience and healthy options for customers.
- Enable the creation of a multi-purpose high street, building on existing assets to develop a diverse and flexible offer.
- Reinforce the character and distinctiveness of town centres within London's network.
- Foster a vibrant cultural, civic and well-being offer within its town centres as the heart of community life.

These goals will require action from partners working together in a broad coalition, and local authorities must be empowered to take action on them. Below are a number of specific policy recommendations which will give local authorities the tools they need to create high streets that work for everyone:

Business rates reform and financial devolution

- Fully devolve business rates. The current system is over centralised with a centrally set tax rate and centrally fixed revenue yield, lacking the flexibility required to adjust to local economic circumstances. Instead it is increasingly reliant on an extremely complex redistribution mechanism and regular emergency policy interventions. London Councils believes that devolving responsibility to boroughs for both setting and distributing business rates would help address these problems.
- The government should scrap mandatory reliefs and provide boroughs with the local discretion to set their own reliefs. This could provide circa £650 million a year to London boroughs to support the growth of certain types of businesses in town centres and ultimately a more focussed, curated and diverse retail and service offer.
- The creation of a business rate grace period for new businesses looking to take on previously empty properties. Businesses would be able delay paying the first three months of their business rates and pay the rest split over the remaining part of the year. The business rate grace period should be offered at local authority discretion.
- The creation of a discretionary empty property and reoccupation relief. Boroughs should have more control over what type of business can access these reliefs. This would allow boroughs to incentivise occupation of vacant units beyond retail. This would work in a similar way to the 'Empty Homes Premium', so that if a business property in a town centre is vacant for more than 18 months landlords have to pay 150 per cent business rate. This should be operated and delivered locally.

Changes to planning and other policy

As the way in which we use and interact with the high street changes, it becomes more important that boroughs have the power to effectively manage and curate their local spaces. One of the most important tools that boroughs have is over planning. This section

[1] PDR gives applicants the ability to convert existing office accommodation or retail units to residential dwellings without seeking planning permission. Instead, applicants are required only to make a 'prior approval' application, a light-touch application process.

outlines potential changes to planning and funding policy that are needed:

- Empower local government to repurpose vacant retail units to provide spaces appropriate for their local cultural economy.
- Reverse permitted development rights for the conversion of retail and office units to residential. Change of use should be locally determined to help boroughs support retail and office provision in their areas.
- Tighten up planning rules so that planning permission is required for any change of use from a pub. We recognise and welcome the government's legislation which means that pubs can now become listed as assets of community value (ACVs). However this position should be strengthened and localised. This would mean pubs would be protected in the same way as retail and any change of use from a pub should require planning permission.
- Introduce more flexibility in use class orders to reflect increasing multi-uses of high street premises. In response to consumer demand many retail units are exploring increasing revenue through offering a wider range of services and experiences. This should be supported where appropriate, and boroughs will play an important role in ensuring that interests on the high street remain balanced.

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Focusing investment in culture and arts

- Continue to invest in high streets and work spaces. The GLA has made consistent and strategic investments in London's high streets through the Good Growth fund currently and predecessor funds, which is welcome.
- Continue to focus national and Mayoral funding on culture in high streets – targeting culture funding from a 'town centres first' position.
- New cultural/civic programmes from the GLA, Arts Council England (ACE) and boroughs take place with a town centre focus, with businesses supported to capitalise on new opportunities. ACE has made welcome steps towards taking a place-based approach, and has improved their links with BIDs. This could be pushed further by the Arts Council and other related cultural institutions, increasing the use of existing high street and town centre infrastructure such as libraries.

London Councils looks forward to the publication of the committee's findings, and will continue to work closely with London's boroughs to ensure that our high streets and town centres survive and thrive in a changing commercial environment.

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This member briefing has been circulated to:

Portfolio holders and those members who requested policy briefings in the following categories: Economic Development, Planning, Housing